

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name TOWNSHIP OF LAPEER	County LAPEER
Fiscal Year End JUNE 30, 2006	Opinion Date AUGUST 15, 2006	Date Audit Report Submitted to State NOVEMBER 17, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

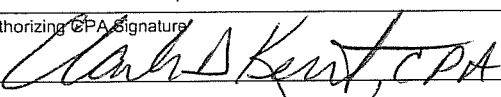
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) BROWN & KENT, PC		Telephone Number 810-664-4470	
Street Address 951 S. MAIN ST., SUITE 3		City LAPEER	State MI
Authorizing CPA Signature 		Printed Name CLARK D. KENT	Zip 48446
		License Number 1101018986	

**TOWNSHIP OF LAPEER
LAPEER, MICHIGAN**

**FINANCIAL REPORT WITH ADDITIONAL INFORMATION
FOR YEAR ENDED JUNE 30, 2006**

TOWNSHIP OF LAPEER

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BROWN & KENT, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board Members
Township of Lapeer
Lapeer, MI 48446

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Lapeer (the "Township"), Lapeer, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Lapeer, Lapeer, Michigan, at June 30, 2006, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Lapeer's basic financial statements. The accompanying other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brown & Kent, P.C.

Certified Public Accountants

August 15, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

**TOWNSHIP OF LAPEER
LAPEER COUNTY
LAPEER, MICHIGAN**

Management's Discussion and Analysis

As management of the Township of Lapeer, Lapeer County, Lapeer, Michigan (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the Township's financial activities for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented herein in conjunction with the Township's financial statements.

Using this Annual Report

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. It also contains other supplemental information to provide a greater detail of the data presented in the basic financial statements.

Government-wide Financial Statements

Government-wide financial statements provide information about the activities of the Township, presenting a broad long-term overview of the Township's finances, in a manner similar to a private-sector business. This longer-term view uses the accrual basis of accounting, so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The Statement of Net Assets and the Statement of Activities report the governmental activities for the Township, which encompasses all of the Township's services, including general government, public safety, public works and cemetery operations. Property taxes and unrestricted state-shared revenue finance most of these activities.

Reporting the Township's Most Significant Funds – Fund Financial Statements

The Township's fund financial statements provide detailed information about the most significant funds, not the Township as a whole.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law.

These fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

All of the funds of the Township can be divided into two categories:

- (1) Governmental Funds – Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements.
- (2) Fiduciary Funds – The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government. Fiduciary funds are not reflected in the government-wide financial statements, because the resources of those funds are not available to support the Township's own programs.

Notes to the Financial Statements

The notes that follow the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The Township as a Whole

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position.

The following table shows, in a condensed format, the Net Assets as of June 30, 2006.

	June 30, 2006	June 30, 2005	Increase / (Decrease)
Assets			
Current Assets	\$ 1,256,429	\$ 1,052,858	\$ 203,571
Capital Assets – Net of Depreciation	706,801	742,887	(36,086)
Total Assets	1,963,230	1,795,745	167,485
Liabilities			
Current Liabilities	91,920	74,335	17,585
Total Liabilities	91,920	74,335	17,585
Net Assets			
Invested in Capital Assets	706,801	742,887	(36,086)
Restricted	34,372	34,372	-
Unrestricted	1,130,137	944,151	185,986
Total Net Assets	\$ 1,871,310	\$ 1,721,410	\$ 149,900

The following table shows the changes of the net assets during the fiscal year ending June 30, 2006.

	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Increase / (Decrease)</u>
Revenue			
Program Revenues			
Charges for Services	\$ 87,773	\$ 98,286	\$ (10,513)
General Revenue			
Property Taxes and Collection Fees	331,666	319,431	12,235
State-shared Revenue	347,325	338,675	8,650
Franchise Fees	29,266	18,875	10,391
Other Revenue	86,211	83,514	2,697
Total Revenue	882,241	858,781	23,460
Program Expenses			
General Government	375,966	358,182	17,784
Health and Welfare	15,234	15,234	-
Public Safety	258,442	253,446	4,996
Public Works	71,000	61,761	9,239
Cemetery	11,699	12,020	(321)
Total Program Expenses	732,341	700,643	31,698
Change in Net Assets	149,900	158,138	(8,238)
Net Assets – Beginning of year	<u>1,721,410</u>	<u>1,563,272</u>	<u>158,138</u>
Net Assets – End of year	<u>\$ 1,871,310</u>	<u>\$ 1,721,410</u>	<u>\$ 149,900</u>

The Township's total governmental revenues, as reported in the Statement of Activities, totaled approximately \$882,000, up from the prior fiscal year. There was a significant decrease in charges for services, while other areas of revenue showed increases over the prior year. Total program expenses, as reported in the Statement of Activities, totaled approximately \$732,000, up from the prior fiscal year. There were significant increases in the cost of law enforcement, attorney fees and fire services, while Township planning costs were significantly lower than the prior fiscal year.

The Township's Funds

The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health. The analysis of the Township's major funds begins on page 4, following the government-wide financial statements.

The Township completed this year with a combined fund balance of \$1,164,509, an increase of \$185,986 from last year. The General Fund's fund balance increased \$106,366. The Capital Improvement Fund and the Revolving Improvement Fund funds balances also showed increases from the previous year.

The General Fund accounts for most of the Township's government services. The most significant are fire protection, law enforcement, assessing, and roads. Management of these services is not supported by special millages, but through the general revenues of property taxes and state-shared revenue.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2006, the Township had \$1,031,562 invested in a broad range of capital assets, including land, buildings, and equipment. This amount represents a net decrease of \$18,875.

Land and Improvements	\$ 437,934
Buildings and Improvements	484,775
Equipment	108,854
Total Capital Assets	<u>1,031,563</u>
Less Accumulated Depreciation	<u>324,762</u>
Net Capital Assets	<u>\$ 706,801</u>

The major changes in fixed assets this fiscal year were the disposal and replacement of the voting equipment and one of the police cars.

Debt Administration

The Township has no long-term debt.

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. There was no change in total revenues budgeted, while there was a \$50,000 decrease in total appropriations.

Economic Factors and Next Year's Budget

Because of the impact of Proposal A, the Headlee Amendment, increases in our contracts for services and unstable fuel prices, the Township must be vigilant in overseeing the budget.

Even though our negotiations with the City of Lapeer for the annexation of several parcels by the City of Lapeer are approaching the end, we must stay prepared for future situations that could put a strain on our yearly budget. While looking ahead, we will be updating our Township Zoning Ordinance and Master Plan, and possibly preparing a Township Recreational Plan.

The Township's budget for 2006-2007 allows for the current services to continue; however, the conditions of some of the roads within the Township are deteriorating. They will continually be monitored and addressed as our budget allows.

Contacting the Township's Management

This financial report is intended to provide our residents, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at 1500 Morris Road, Lapeer, MI 48446.

BASIC FINANCIAL STATEMENTS

**TOWNSHIP OF LAPEER
STATEMENT OF NET ASSETS
JUNE 30, 2006**

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Demand Deposits	\$ 1,534
Savings Deposits	231,120
Investments	889,803
Petty Cash	225
Accounts Receivable - Fireruns	53,758
Accounts Receivable - State Shared Revenue	51,789
Accounts Receivable - Other	20,780
Prepaid Expenditures	7,420
Total Current Assets	<u>1,256,429</u>
Capital Assets	
Land	11,593
Land Improvements, Net of Depreciation	362,804
Building and Improvements, Net of Depreciation	292,286
Equipment, Net of Depreciation	40,118
Total Capital Assets	<u>706,801</u>
TOTAL ASSETS	<u><u>\$ 1,963,230</u></u>
LIABILITIES	
Accounts Payable	\$ 69,231
Accrued Payroll	18,576
Accrued Pension	4,113
TOTAL LIABILITIES	<u>91,920</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	706,801
Restricted for:	
Permanent Fund - Perpetual Care Fund	34,372
Unrestricted	1,130,137
TOTAL NET ASSETS	<u>1,871,310</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,963,230</u></u>

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF LAPEER
STATEMENT OF ACTIVITIES
JUNE 30, 2006**

	Functions / Programs			
	Governmental Activities			
	General Government	Health and Welfare	Public Safety	Public Works
EXPENSES				
Salaries and Benefits	\$ 190,128	\$ -	\$ 86,164	\$ -
Employment Taxes	16,662	-	-	-
Professional Services	77,873	-	143,169	-
Materials and Supplies	7,559	-	5,817	-
Repairs and Maintenance	2,867	-	1,874	-
Roads	-	-	-	54,017
Recycling	-	-	-	1,615
Street Lights	-	-	-	9,256
Other Program Expenses	46,551	15,234	9,753	6,112
Depreciation	34,326	-	11,665	-
TOTAL EXPENSES	375,966	15,234	258,442	71,000
PROGRAM REVENUES				
Charges for Services	7,793	-	67,422	1,368
Operating Grants and Contributions	-	-	-	-
Capital Grants and Contributions	-	-	-	-
NET PROGRAM (EXPENSES) REVENUES	<u>\$ (368,173)</u>	<u>\$ (15,234)</u>	<u>\$ (191,020)</u>	<u>\$ (69,632)</u>
GENERAL REVENUES				
Property Taxes				
Collection Fees				
State Shared Revenue				
Property Transfer - City				
Interest Income				
Cable TV Franchise Fee				
Hall Rental				
Sale of Capital Assets				
Miscellaneous				
TOTAL GENERAL REVENUES				
CHANGE IN NET ASSETS				
NET ASSETS - BEGINNING				
NET ASSETS - ENDING				

The accompanying notes are an integral part of the financial statements.

		Total	
Cemetery		Governmental	
\$	1,994	\$	278,286
	-		16,662
	6,676		227,718
	281		13,657
	-		4,741
	-		54,017
	-		1,615
	-		9,256
	2,748		80,398
	-		45,991
	11,699		732,341
	11,190		87,773
	-		-
	-		-
\$	(509)		(644,568)

290,387
41,279
347,325
21,680
36,710
29,266
6,225
3,125
18,471
794,468
149,900
1,721,410
\$ 1,871,310

**TOWNSHIP OF LAPEER
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	General Fund	Capital Improvement Fund	Revolving Improvement Fund
ASSETS			
Demand Deposits	\$ 1,534	\$ -	\$ -
Savings Deposits	196,348	-	-
Investments	311,223	132,769	445,811
Petty Cash	225	-	-
Accounts Receivable - Other	11,866	1,584	7,330
Accounts Receivable - Fireruns	53,758	-	-
Accounts Receivable - State Shared Revenue	51,789	-	-
Prepaid Expenses	7,420	-	-
TOTAL ASSETS	<u><u>\$ 634,163</u></u>	<u><u>\$ 134,353</u></u>	<u><u>\$ 453,141</u></u>
LIABILITIES			
Accounts Payable	\$ 69,231	\$ -	\$ -
Accrued Expenses	22,689	-	-
TOTAL LIABILITIES	<u>91,920</u>	<u>-</u>	<u>-</u>
FUND EQUITY			
Fund Balance			
Unreserved - Undesignated	<u>542,243</u>	<u>134,353</u>	<u>453,141</u>
TOTAL FUND EQUITY	<u>542,243</u>	<u>134,353</u>	<u>453,141</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 634,163</u></u>	<u><u>\$ 134,353</u></u>	<u><u>\$ 453,141</u></u>

The accompanying notes are an integral part of the financial statements.

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,534
34,772	231,120
-	889,803
-	225
-	20,780
-	53,758
-	51,789
-	7,420
<u>\$ 34,772</u>	<u>\$ 1,256,429</u>
\$ -	\$ 69,231
-	22,689
-	91,920
34,772	1,164,509
34,772	1,164,509
<u>\$ 34,772</u>	<u>\$ 1,256,429</u>

Reconciliation of Total Governmental Funds Balances to
Net Assets of Governmental Activities

Total Governmental Funds Balances	\$ 1,164,509
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:	
Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.	<u>706,801</u>
Net Assets of Governmental Activities	<u>\$ 1,871,310</u>

TOWNSHIP OF LAPEER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR YEAR ENDED JUNE 30, 2006

	General Fund	Capital Improvement Fund	Revolving Improvement Fund
REVENUES			
Taxes	\$ 331,666	\$ -	\$ -
Licenses and Fees	3,110	-	-
Intragovernmental	369,005	-	-
Charges for Services	81,230	-	-
Fines and Forfeits	3,433	-	-
Sale of Capital Assets	13,344	-	-
Interest	16,129	4,414	15,989
Other Revenue	53,116	-	-
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	871,033	4,414	15,989
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
General Government	344,508	-	-
Health and Welfare	15,234	-	-
Cemetery	11,699	-	-
Public Safety	264,032	-	-
Public Works	71,001	-	-
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	706,474	-	-
	<hr/>	<hr/>	<hr/>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	164,559	4,414	15,989
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	11,807	20,000	50,000
Operating Transfers Out	(70,000)	-	(10,783)
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	(58,193)	20,000	39,217
	<hr/>	<hr/>	<hr/>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	106,366	24,414	55,206
	<hr/>	<hr/>	<hr/>
FUND BALANCE - JULY 1, 2005	435,877	109,939	397,935
	<hr/>	<hr/>	<hr/>
FUND BALANCE - JUNE 30, 2006	<u>\$ 542,243</u>	<u>\$ 134,353</u>	<u>\$ 453,141</u>

The accompanying notes are an integral part of the financial statements.

Other Governmental Funds	Total Governmental Funds	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	
\$ -	\$ 331,666	Net Change in Fund Balance -	
-	3,110	Total Governmental Funds	\$ 185,986
-	369,005		
-	81,230	Amounts reported for Governmental Activities	
-	3,433	in the Statement of Activities are different	
-	13,344	because:	
177	36,709	Governmental Funds report capital outlays as	
847	53,963	expenditures. In the Statement of Activities,	
		the cost of those assets is allocated over	
1,024	892,460	their estimated useful lives as depreciation	
		expenses. This is the amount by which	
-	344,508	depreciation exceeded capital outlays in the	
-	15,234	current period.	(25,867)
-	11,699		
-	264,032	Governmental Funds report the proceeds from	
-	71,001	the sale of Capital Assets. In the Statement	
		of Activities, only the gain on the sale of these	
-	706,474	assets is reported. This is the amount by	
		which the proceeds exceeded the gain in the	
1,024	185,986	current period.	(10,219)
		Change in Net Assets of Governmental Activities	\$ 149,900
-	81,807		
(1,024)	(81,807)		
(1,024)	-		
-	185,986		
34,772	978,523		
\$ 34,772	\$ 1,164,509		

TOWNSHIP OF LAPEER
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2006

	Trust and Agency Fund	Tax Collection Fund	Total Agency Funds
ASSETS			
Demand Deposits	\$ 89,197	\$ -	\$ 89,197
TOTAL ASSETS	<u>\$ 89,197</u>	<u>\$ -</u>	<u>\$ 89,197</u>
LIABILITIES			
Due to Others	\$ 89,197	\$ -	\$ 89,197
TOTAL LIABILITIES	<u>\$ 89,197</u>	<u>\$ -</u>	<u>\$ 89,197</u>

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**TOWNSHIP OF LAPEER
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2006**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Township of Lapeer (the "Township"), conform to accounting principles generally accepted in the United States of America applicable to state and local governments. The more significant accounting policies of the Township are described below.

A. REPORTING ENTITY

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that financial statements are not misleading. The primary government of the Township consists of all funds, departments, boards, and agencies that are not legally separate from the Township. For the Township, this includes providing police protection, fire services, road maintenance and repairs, cemeteries, and planning and zoning. The Board of Trustees and the Township Administrator have direct responsibility for these activities.

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority or the organization's governing board; and (1) the Township is able to significantly influence the programs or services performed or provided by the organization, or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Township is obligated for the debt of the organizations. Component units may also include organizations for which the Township authorizes the issuance of debt or the levying of taxes, or determines the budget.

Based on the aforementioned criteria, the Township of Lapeer has no component units.

B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Township. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include; (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**TOWNSHIP OF LAPEER
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2006**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

FUND FINANCIAL STATEMENTS

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The Township has presented the following major governmental funds.

General Fund – The General Fund is the general operating fund of the Township. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

Capital Improvement Fund – The Capital Improvement Fund is used to set aside monies for the future construction of governmental capital assets. When items are constructed money is moved from this fund to the General Fund and expenditures are accounted for there.

Revolving Improvement Fund – The Revolving Improvement Fund is used to set aside monies for the future non-maintenance roadwork. When items are constructed money is moved from this fund to the General Fund and expenditures are accounted for there.

Additionally, the Township has two agency fiduciary funds as follows:

Trust and Agency Fund – This fund is used to account for the collection and disbursement of performance and other deposits payable.

Tax Collection Fund – This fund is used to account for the collection and disbursement of property taxes assessed within the Township.

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time liability is incurred.

**TOWNSHIP OF LAPEER
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2006**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income, and intergovernmental revenues. Sales taxes collected and held by the State at year-end on behalf of the Township are also recognized as revenue. All other Governmental Fund Type revenues are recognized when received.

D. BUDGETS AND BUDGETARY ACCOUNTING

The Township Board follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) Prior to the beginning of the fiscal year, the Board proposes an operating budget for each budgetary fund. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. State statute requires that the budget be submitted in summary form. Also, more detailed line item budgets are included for administrative control.
- (2) A public hearing is conducted to obtain taxpayer comment.
- (3) The budgets are adopted by a majority vote of the Township Board.
- (4) Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
- (5) Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Amendments to the Budget are approved by the Township Board, as necessary.

E. CASH EQUIVALENTS

The Township considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

F. INVESTMENTS

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

**TOWNSHIP OF LAPEER
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2006**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. INTERFUND TRANSACTIONS

Legally authorized transfers are treated as interfund transfers and are included in the results of operations.

H. CAPITAL ASSETS

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated Assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment.

Assets capitalized have an original cost of \$500 or more for equipment and \$5,000 or more for non-equipment, and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and Improvements	5-50 years
Equipment	5-20 years
Land Improvements	15-20 years

I. NET ASSETS

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

J. INTERFUND RECEIVABLES AND PAYABLES

Short-term amounts owed between funds are classified as "Due to/from other funds."

K. USE OF ESTIMATES

The preparation of basic financial statements in conformance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 – CASH AND EQUIVALENTS AND INVESTMENTS

All accounts are in the name of the Township and a specific fund or common account. They are recorded in the Township records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

TOWNSHIP OF LAPEER
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2006

NOTE 2 – CASH AND EQUIVALENTS AND INVESTMENTS (Continued)

STATUTORY AUTHORITY

Act 217, PA 1982, authorizes the Township to deposit and invest in:

- (1) Bonds and other direct obligations of the United States or its agencies,
- (2) Certificates of deposits, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations, or credit unions insured by the national credit union administration that are eligible to be a depository of surplus money belonging to the State under Section 5 or 6 of Act 105, PA 1855, as amended (MCL 21.145 and 21.146), and
- (3) Mutual funds composed of investments, which are legal for direct investment of local government.

CASH AND EQUIVALENTS

A summary of cash and equivalents as of June 30, 2006 follows:

	Carrying Value	Bank Balance	Covered By FDIC Insurance
Demand Deposits	\$ 90,731	\$ 92,467	\$ 92,467
Savings Deposits	231,120	231,072	179,902
Petty Cash	225	-	-
	<u>322,076</u>	<u>323,539</u>	<u>272,369</u>
Certificate of Deposit	677,354	677,354	159,039
	<u>\$ 999,430</u>	<u>\$ 1,000,893</u>	<u>\$ 431,408</u>

Bank balance does not reflect deposits in transit or outstanding checks.

FDIC Regulation Number 330.8, provides that deposits of a governmental unit are insured for the lesser of the amount of the combined deposit or \$100,000, in every financial institution that is not a branch location and that is a member of FDIC in the following deposit accounts:

- (1) All demand, non-interest bearing accounts (checking), in the name of the authorized or statutory custodian (treasurer) of public funds.
- (2) All savings deposits, which include regular passbook, daily interest savings, and time certificates of deposit in the name of the governmental unit's custodian.

INVESTMENTS

The Governmental Accounting Standards Board of the Financial Accounting Foundation Statement 3, includes the requirement that a government entity's investments be classified into three categories of credit risk. The categories are:

- (1) Insured or registered securities held by the government entity of its agent in the entity's name;
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name; and

**TOWNSHIP OF LAPEER
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2006**

NOTE 2 – CASH AND EQUIVALENTS AND INVESTMENTS (Continued)

INVESTMENTS (Continued)

- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the entity's name.

The Township has invested \$212,139 with Comerica Bank in their Investment Fund and \$310 with LaSalle Bank in their State Shared Revenue Account. These mutual fund investments cannot be categorized, because they are not evidenced by securities that exist in physical or book entry form.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006, was as follows:

	Balance 7-01-05	Additions	Deletions	Balance 6-30-06
Capital Assets Not Being Depreciated				
Land	\$ 11,593	\$ -	\$ -	\$ 11,593
Total Capital Assets not being Depreciated	11,593	-	-	11,593
Capital Assets being Depreciated				
Land Improvements	426,341	-	-	426,341
Building and Improvements	484,775	-	-	484,775
Equipment	127,728	20,125	38,999	108,854
Total Capital Assets being Depreciated	1,038,844	20,125	38,999	1,019,970
Less Accumulated Depreciation for				
Land Improvements	43,091	20,446	-	63,537
Building and Improvements	179,656	12,833	-	192,489
Equipment	84,803	12,712	28,779	68,736
Total Accumulated Depreciation	307,550	45,991	28,779	324,762
Total Capital Assets being Depreciated, Net	731,294	(25,866)	10,220	695,208
Total Government Assets, Net	\$ 742,887	\$ (25,866)	\$ 10,220	\$ 706,801

Depreciation expense was charged as direct expense to programs of the primary government as follows:

General Government	\$ 34,326
Public Safety	11,665
Total Depreciation Expense	<u>\$ 45,991</u>

**TOWNSHIP OF LAPEER
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2006**

NOTE 4 – PROPERTY TAXES

The Township's property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2005 tax is levied and collectible on December 1, 2005, and is recognized as revenue in the year ended June 30, 2006, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2005 taxable valuation of the Township totaled approximately \$179,813,000, on which taxes levied consisted of 1.6148 mills for operating purposes. This resulted in approximately \$290,000 for operating purposes. This amount was recognized in the General Fund financial statements as tax revenue.

NOTE 5 – INTERFUND TRANSACTIONS

Operating Transfers

Operating transfers constitute the transfer of resources from the fund that received the resources to the fund that utilized them. The interfund transfers are as follows:

<u>Fund</u>	<u>Operating Transfer In</u>	<u>Fund</u>	<u>Operating Transfer Out</u>
Special Revenue -		General Fund	\$ 70,000
Capital Improvement	\$ 20,000	Special Revenue -	
Revolving Improvement	50,000	Liquor Law	851
		Disaster Contingency	1
		Revolving Improvement	10,783
		Permanent Fund -	
		Cemetery	172
General Fund	<u>11,807</u>		
Total	<u>\$ 81,807</u>	Total	<u>\$ 81,807</u>

There were no interfund receivables or payables.

NOTE 6 – PENSION PLAN

The Township makes annual contributions to the Manulife Financial Defined Contribution Plan for Governmental Employees for all eligible employees.

The Township contributed \$47,175 to the plan for the year ended June 30, 2006.

**TOWNSHIP OF LAPEER
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2006**

NOTE 7 – FIRE DEPARTMENT CONTRACT

The City of Lapeer provides fire department services to the Township of Lapeer. The City of Lapeer was paid a standby fee of \$50,000 for the period from July 1, 2005 through June 30, 2006. The City also charges additional fees for each fire run.

The additional fees are paid by the Township of Lapeer when billed by the fire departments. The Township then bills the person who was provided the fire run service.

NOTE 8 – MAINTENANCE AND PERFORMANCE GUARANTEE BONDS

In compliance with Township ordinances, a bond is required for a minimum of 6% of total site improvement costs. These costs are to be returned upon final approval. Cash that is received by the Township is recorded into the general fund Investment account and into the Due to Others account. The developer may obtain a jointly named certificate of deposit to comply with the bonding requirements. The certificates of deposit are not reflected in these basic financial statements, since the Township does not have custody or ownership of the funds.

NOTE 9 – RISK MANAGEMENT

The Township has exposure to risks of loss due to torts, errors and omissions, and property loss. The Township manages these risks by purchasing commercial insurance.

NOTE 10 – CONTINGENCIES

The Township is involved in Michigan Tax Tribunal cases involving several years of property tax appeals by Detroit Edison and Consumers Energy. If the plaintiffs were successful, there would be a partial refund. The probability of an unfavorable outcome cannot be determined, at this time. Accordingly, no accrual has been made.

The Township is also continuously involved in District Court ordinance enforcement actions. These District Court matters do not involve costs to the Township beyond prosecution expenses.

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF LAPEER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
TAXES				
Property Taxes	\$ 280,655	\$ 280,655	\$ 290,387	\$ 9,732
Collection Fees and Penalties	35,000	35,000	41,279	6,279
TOTAL TAXES	315,655	315,655	331,666	16,011
LICENSES, PERMITS AND FEES				
Development Fees	2,000	2,000	3,060	1,060
Business Licenses	50	50	50	-
TOTAL LICENSES, PERMITS AND FEES	2,050	2,050	3,110	1,060
INTERGOVERNMENTAL				
State Revenue Sharing	330,000	330,000	347,325	17,325
City Property Transfer	20,000	20,000	21,680	1,680
TOTAL INTERGOVERNMENTAL	350,000	350,000	369,005	19,005
CHARGES FOR SERVICES				
Cemetery	7,400	7,400	11,190	3,790
Firerun Fees and Fines	53,400	53,400	65,582	12,182
Special Assessments	-	-	1,368	1,368
Special Meetings	7,000	7,000	3,090	(3,910)
TOTAL CHARGES FOR SERVICES	67,800	67,800	81,230	13,430
FINES AND FORFEITS				
Penal fines	3,000	3,000	3,433	433
TOTAL FINES AND FORFEITS	3,000	3,000	3,433	433
MISCELLANEOUS SOURCES				
Interest Earned	10,000	10,000	16,129	6,129
Township Hall Rental	2,500	2,500	6,225	3,725
Cable TV	18,000	18,000	29,266	11,266
Sale of Fixed Assets	100	100	13,344	13,244
Other Revenue	14,500	14,500	17,625	3,125
TOTAL MISCELLANEOUS SOURCES	45,100	45,100	82,589	37,489
TOTAL REVENUES	783,605	783,605	871,033	87,428

See Notes to Required Supplemental Information.

TOWNSHIP OF LAPEER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES				
GENERAL GOVERNMENT				
TRUSTEE				
Salaries	\$ 9,065	\$ 9,065	\$ 9,064	\$ 1
Health Insurance	-	780	441	339
Employers Life Insurance	-	950	835	115
Professional Services	8,000	-	-	-
Membership and Subscriptions	3,500	2,750	80	2,670
Conferences and Education	1,000	870	25	845
Community Promotion	1,000	280	270	10
Miscellaneous	100	100	-	100
TOTAL TRUSTEE	22,665	14,795	10,715	4,080
SUPERVISOR				
Salaries	25,132	25,132	25,132	-
Health Insurance	4,275	4,581	4,221	360
Employers Life Insurance	80	80	80	-
Conferences and Education	1,000	500	273	227
TOTAL SUPERVISOR	30,487	30,293	29,706	587
COMMITTEE				
Wages Per Diem	5,500	5,500	3,471	2,029
Conferences and Education	300	300	300	-
TOTAL COMMITTEE	5,800	5,800	3,771	2,029
ELECTIONS				
Wages Per Diem	4,000	3,100	2,635	465
Office Supplies	1,000	1,000	403	597
Professional Services	2,000	500	240	260
Publishing and Newspaper	500	500	-	500
Equipment and Hardware	1,000	1,600	1,506	94
TOTAL ELECTIONS	8,500	6,700	4,784	1,916
AUDITOR				
Professional Services	6,000	6,090	6,090	-
TOTAL AUDITOR	6,000	6,090	6,090	-
ASSESSOR				
Salaries	-	-	-	-
Office Supplies	750	750	57	693
Operating Supplies and Maps	500	500	315	185
Professional and Contract Service	30,750	30,750	30,750	-

See Notes to Required Supplemental Information.

TOWNSHIP OF LAPEER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
GENERAL GOVERNMENT (Continued)				
ASSESSOR (Continued)				
County Contract	\$ 100	\$ 1,300	\$ 1,274	\$ 26
Hardware	300	300	-	300
Software	1,000	1,000	935	65
TOTAL ASSESSOR	33,400	34,600	33,331	1,269
ATTORNEY				
Professional Services	25,700	28,300	28,914	(614)
TOTAL ATTORNEY	25,700	28,300	28,914	(614)
CLERK				
Salaries	35,975	35,975	34,475	1,500
Deputy	2,000	2,400	2,256	144
Health Insurance	1,600	2,100	2,115	(15)
Employers Life Insurance	80	80	80	-
Conferences and Education	2,000	2,000	1,028	972
TOTAL CLERK	41,655	42,555	39,954	2,601
GENERAL OFFICE				
Hourly Wages	20,000	20,000	18,146	1,854
Employers Life Insurance	-	47	47	-
Office Supplies	2,000	2,000	1,566	434
Postage	5,000	3,800	3,290	510
Operating Supplies	2,500	1,794	1,098	696
Professional Services	4,000	4,000	2,720	1,280
Telephone	3,000	3,250	3,215	35
Conferences and Education	200	180	76	104
Publishing and Newspaper	2,500	2,500	1,539	961
Printing and Ordinances	4,000	4,000	-	4,000
Maintenance and Repairs	3,000	3,000	68	2,932
Miscellaneous	250	250	142	108
Hardware	1,000	1,000	468	532
Office Furniture and Equipment	1,000	1,000	488	512
Software	2,500	2,500	200	2,300
TOTAL GENERAL OFFICE	50,950	49,321	33,063	16,258
BOARD OF REVIEW				
Wages Per Diem	1,500	1,400	965	435
Conferences and Education	-	100	98	2

See Notes to Required Supplemental Information.

TOWNSHIP OF LAPEER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
GENERAL GOVERNMENT (Continued)				
BOARD OF REVIEW (Continued)				
Publishing and Newspaper	\$ 150	\$ 150	\$ 81	\$ 69
TOTAL BOARD OF REVIEW	1,650	1,650	1,144	506
 TREASURER				
Salaries	27,089	27,089	27,089	-
Deputy	6,335	6,325	6,318	7
Employers Life Insurance	-	80	83	(3)
Office Supplies	500	890	885	5
County Contract Expense	250	100	72	28
Conferences and Education	1,500	2,126	2,124	2
Bonds	110	70	20	50
Property Tax Chargebacks	100	175	190	(15)
Hardware	500	900	900	-
Software	700	635	635	-
TOTAL TREASURER	37,084	38,390	38,316	74
 TOWNSHIP HALL GROUNDS				
Salaries	-	5,500	5,500	-
Operating Supplies	1,500	1,500	539	961
Professional Services	8,700	3,200	3,009	191
Contractual Mowing	2,500	2,500	2,319	181
Contractual Snow Removal	2,500	2,557	2,557	-
Electricity	2,600	3,603	3,658	(55)
Utilities - Gas and Oil	5,000	5,000	4,362	638
Maintenance and Repairs	5,000	5,000	2,799	2,201
Lease Security Systems	1,400	1,400	1,049	351
Land Improvements	5,000	5,000	-	5,000
Building Improvements	10,000	3,000	2,620	380
Office Equipment and Furniture	4,000	1,980	361	1,619
TOTAL TOWNSHIP HALL GROUNDS	48,200	40,240	28,773	11,467
 OTHER GENERAL GOVERNMENT				
Township Pension	46,500	51,500	47,175	4,325
Pension Administration	1,800	1,800	1,774	26
Insurance Premium	27,000	26,104	20,336	5,768
Township Social Security	12,505	14,705	13,504	1,201
Township Medicare	2,925	3,475	3,158	317
TOTAL OTHER GENERAL GOVERNMENT	90,730	97,584	85,947	11,637

See Notes to Required Supplemental Information.

TOWNSHIP OF LAPEER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
GENERAL GOVERNMENT (Continued)				
TOTAL GENERAL GOVERNMENT	\$ 402,821	\$ 396,318	\$ 344,508	\$ 51,810
HEALTH AND WELFARE				
Ambulance	15,250	15,250	15,234	16
TOTAL HEALTH AND WELFARE	15,250	15,250	15,234	16
CEMETERY				
Sexton Wages	4,000	4,000	1,994	2,006
Office Supplies	150	150	22	128
Operating Supplies	500	500	259	241
Professional Services	1,000	760	30	730
Contractual Mowing	7,000	7,000	6,646	354
Contractual Snow Removal	250	250	-	250
Opening, Closing and Foundations	3,000	3,000	2,413	587
Conferences and Education	-	240	238	2
Utilities	150	150	97	53
Repair and Maintenance	500	500	-	500
Building and Grounds Improvements	3,000	3,000	-	3,000
Equipment	2,000	2,000	-	2,000
TOTAL CEMETERY	21,550	21,550	11,699	9,851
PUBLIC SAFETY				
LAW ENFORCEMENT				
Hourly Wages	72,000	72,000	72,847	(847)
Wages - Crossing Guard	5,000	5,000	4,510	490
Employers Life Insurance	-	820	816	4
Operating Supplies	2,500	1,295	703	592
Operating Supplies - Gas	4,000	5,000	5,114	(114)
Membership Subscriptions	100	1,070	1,068	2
Conferences and Education	1,000	650	612	38
Maintenance and Repairs	3,000	2,308	1,874	434
Equipment and Hardware	5,000	9,777	23,116	(13,339)
TOTAL LAW ENFORCEMENT	92,600	97,920	110,660	(12,740)
FIRE SERVICE				
Professional Services - Fire Service	175,000	125,000	129,635	(4,635)
Conferences and Education	-	200	160	40
Operating Expense	-	550	547	3
TOTAL FIRE SERVICE	175,000	125,750	130,342	(4,592)

See Notes to Required Supplemental Information.

TOWNSHIP OF LAPEER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
PUBLIC SAFETY (Continued)				
INSPECTION				
Prof. Services - Code Enforcement	\$ 3,500	\$ 3,500	\$ 738	\$ 2,762
TOTAL INSPECTION	3,500	3,500	738	2,762
PLANNING				
Wages Per Diem	10,000	10,000	6,461	3,539
Operating Supplies	100	100	-	100
Professional Services	30,000	30,000	5,298	24,702
Professional Services - Twp. Engineering	-	8,000	7,499	501
Membership and Subscriptions	400	400	350	50
Conferences and Education	1,500	1,500	125	1,375
Publishing and Newspaper	1,000	1,000	779	221
TOTAL PLANNING	43,000	51,000	20,512	30,488
ZONING				
Wages Per Diem	4,500	4,500	1,530	2,970
Membership Subscriptions	50	50	-	50
Conferences and Education	300	300	250	50
TOTAL ZONING	4,850	4,850	1,780	3,070
TOTAL PUBLIC SAFETY	318,950	283,020	264,032	18,988
PUBLIC WORKS				
Drains at Large	1,000	1,000	718	282
Miscellaneous	500	500	-	500
Recycling	1,800	2,100	1,615	485
Roads	275,000	275,000	54,017	220,983
Street Lights	7,500	8,500	9,256	(756)
Transportation	5,400	5,400	5,395	5
Capital Outlays	4,000	3,000	-	3,000
TOTAL PUBLIC WORKS	295,200	295,500	71,001	224,499
CONTINGENCY	40,000	32,133	-	32,133
TOTAL EXPENDITURES	1,093,771	1,043,771	706,474	337,297
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(310,166)	(260,166)	164,559	424,725

See Notes to Required Supplemental Information.

TOWNSHIP OF LAPEER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	\$ 210,000	\$ 210,000	\$ 11,807	\$ (198,193)
Operating Transfers Out	(20,000)	(70,000)	(70,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>190,000</u>	<u>140,000</u>	<u>(58,193)</u>	<u>(198,193)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (120,166)</u>	<u>\$ (120,166)</u>	106,366	<u>\$ 226,532</u>
FUND BALANCE - JULY 1, 2005			<u>435,877</u>	
FUND BALANCE - JUNE 30, 2006			<u>\$ 542,243</u>	

See Notes to Required Supplemental Information.

TOWNSHIP OF LAPEER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL IMPROVEMENT FUND
FOR YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Interest	\$ 1,000	\$ 1,000	\$ 4,414	\$ 3,414
TOTAL REVENUES	<u>1,000</u>	<u>1,000</u>	<u>4,414</u>	<u>3,414</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,000</u>	<u>1,000</u>	<u>4,414</u>	<u>3,414</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	10,000	10,000	20,000	10,000
Operating Transfers Out	<u>(8,000)</u>	<u>(8,000)</u>	<u>-</u>	<u>8,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,000</u>	<u>2,000</u>	<u>20,000</u>	<u>18,000</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ 3,000</u>	<u>\$ 3,000</u>	24,414	<u>\$ 21,414</u>
FUND BALANCE - JULY 1, 2005			<u>109,939</u>	
FUND BALANCE - JUNE 30, 2006			<u>\$ 134,353</u>	

See Notes to Required Supplemental Information.

TOWNSHIP OF LAPEER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
REVOLVING IMPROVEMENT FUND
FOR YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Interest	\$ 4,500	\$ 4,500	\$ 15,989	\$ 11,489
TOTAL REVENUES	<u>4,500</u>	<u>4,500</u>	<u>15,989</u>	<u>11,489</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>4,500</u>	<u>4,500</u>	<u>15,989</u>	<u>11,489</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	75,000	50,000	50,000	-
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>(10,783)</u>	<u>(10,783)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>75,000</u>	<u>50,000</u>	<u>39,217</u>	<u>(10,783)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ 79,500</u>	<u>\$ 54,500</u>	55,206	<u>\$ 706</u>
FUND BALANCE - JULY 1, 2005			<u>397,935</u>	
FUND BALANCE - JUNE 30, 2006			<u>\$ 453,141</u>	

See Notes to Required Supplemental Information.

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

**TOWNSHIP OF LAPEER
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
FOR YEAR ENDED JUNE 30, 2006**

BUDGETARY INFORMATION

The annual budget is prepared by the Township supervisor and adopted by the Township Board; subsequent amendments are approved by the Township Board.

The budget has been prepared in accordance with generally accepted accounting principles for the General Fund and all Special Revenue Funds.

The budget has been adopted on a line item basis. Comparison of actual results of operations to the budgets of the General Fund and Major Special Revenue Funds, as adopted by the Township Board, are included in the Required Supplemental Information of the basic financial statements. A comparison of the actual results of operations to the Non-major Special Revenue Funds budgets, as adopted by the Township, is included in the Other Supplemental Information section of the financial statements.

EXCESS OF EXPENDITURES OVER BUDGETED AMOUNTS

The Township had material expenditure budget overruns as follows:

<u>Fund and Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Public Safety			
Law Enforcement	\$ 97,920	\$ 110,660	\$ (12,740)
Fire Service	125,750	130,342	(4,592)
Revolving Improvement Fund			
Transfers Out	-	10,783	(10,783)

OTHER SUPPLEMENTAL INFORMATION

**TOWNSHIP OF LAPEER
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006**

	Special Revenue Funds		Permanent Fund	Total Non-major Governmental Funds
	Disaster Contingency Fund	Liquor Law Enforcement Fund	Cemetery Trust Fund	
ASSETS				
Savings Deposits	\$ 300	\$ 100	\$ 34,372	\$ 34,772
TOTAL ASSETS	<u>\$ 300</u>	<u>\$ 100</u>	<u>\$ 34,372</u>	<u>\$ 34,772</u>
FUND EQUITY				
Fund Balance				
Unreserved - Undesignated	\$ 300	\$ 100	\$ 34,372	\$ 34,772
TOTAL FUND EQUITY	<u>\$ 300</u>	<u>\$ 100</u>	<u>\$ 34,372</u>	<u>\$ 34,772</u>

**TOWNSHIP OF LAPEER
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR YEAR ENDED JUNE 30, 2006**

	Special Revenue Funds		Permanent Fund	Total Non-major Governmental Funds
	Disaster Contingency Fund	Liquor Law Enforcement Fund	Cemetery Trust Fund	
REVENUES				
Miscellaneous	\$ -	\$ 847	\$ -	\$ 847
Interest	1	4	172	177
TOTAL REVENUES	<u>1</u>	<u>851</u>	<u>172</u>	<u>1,024</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>1</u>	<u>851</u>	<u>172</u>	<u>1,024</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	-	-
Operating Transfers Out	<u>(1)</u>	<u>(851)</u>	<u>(172)</u>	<u>(1,024)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1)</u>	<u>(851)</u>	<u>(172)</u>	<u>(1,024)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	-	-	-
FUND BALANCE - JULY 1, 2005	<u>300</u>	<u>100</u>	<u>34,372</u>	<u>34,772</u>
FUND BALANCE - JUNE 30, 2006	<u>\$ 300</u>	<u>\$ 100</u>	<u>\$ 34,372</u>	<u>\$ 34,772</u>

BROWN & KENT, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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FAX (810) 664-3601

To the Board Members
Township of Lapeer
1500 Morris Road
Lapeer, MI 48446

Dear Board Members:

We have completed our audit of the basic financial statements for the Township of Lapeer (the "Township"), for the year ended June 30, 2006. As a result of our audit, and in addition to our financial report, we offer the following comments and recommendations for your review and consideration. These items have been discussed with your administration.

New Auditing Standards

Recently, ten new auditing standards have been released and will become effective over the next two years. There are two new standards that may impact the Township beginning next fiscal year.

One of the standards revises the dating of the auditors' report. The old standards had reports dated the last day of fieldwork. The new standards define the date as the date adequate audit evidence is obtained. Adequate audit evidence is now being interpreted as including the client's approval of the draft financial statements. This new standard impacts an auditors' subsequent events work, which is from June 30 through the date of the auditors' report. The impact to the Township could be if there was a long period of time needed to resolve certain open issues. This would extend the dating of the auditors' report and increase the amount of work we need to complete our subsequent events work.

The other standard that may impact the Township is related to our communications with you. The new standard includes examples of strong indicators of a "significant deficiency." One example is the client is unable to write financial statements, including the footnotes, in accordance with generally accepted accounting principles. Historically, we have prepared the financial statements and footnotes for the Township. We will have to evaluate the Township's ability to produce financial statements and footnotes. We will continue to monitor these standards.

Tax Fund

The Township's unadjusted balances in the payable accounts of the Tax Fund were not in agreement with the actual amounts owed, which was caused by the incorrect posting of receipts and disbursements. Please note that there was no discrepancy in the amounts collected or disbursed, this is only a recording error. The accounts incorrectly reflected amounts owed to the county, schools, etc.

When tax receipts are given to the clerk for entry into the computer, they need to be broken down into at least the following categories; (1) taxes due to Township, (2) administration fees due to Township, (3) taxes due to county (4) taxes due to schools, (5) excess or overpayments to be refunded to taxpayer, (6) excess or overpayments to be forfeited to Township, (7) firerun assessments received (broken down by taxpayer), (8) interest earned on accounts that is due to the Township, and (9) interest and penalties charged to taxpayers for late payments of taxes (broken down by amount due to county, school, Township).

Checks should be written, at a minimum of bi-weekly, to disburse the funds to the appropriate agencies or individuals. After you write the checks to disburse the funds collected, we suggest that you reconcile the amount remaining in the checking account to the balances in the Tax Fund payable accounts.

Bank Deposits Over FDIC Coverage

The Township has a significant amount of money invested in certificates of deposit and savings accounts, in only a few banks. At the end of the current fiscal year the carrying value of certificates of deposits, demand deposits (checking accounts), and saving accounts totaled approximately \$999,000, of that amount, a little more than \$400,000 is insured by FDIC. Governmental units can be insured up to \$200,000 per financial institution. At the end of the current fiscal year, the Township had \$550,000 invested in certificates of deposit in a single financial institution. The following is an excerpt from the FDIC's website:

Section 330.15 of the FDIC's regulations (12 C.F.R. 330.15) governs the insurance coverage of public unit accounts. The insurance coverage of public unit accounts depends upon the type of deposit and the location of the insured depository institution. All time and savings deposits owned by a public unit and held by the same official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$100,000. Separately, all demand deposits owned by a public unit and held by the same official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$100,000. For the purpose of these rules, the term "savings deposits" includes NOW accounts, money market deposit accounts and other interest-bearing checking accounts.

The insurance coverage of accounts held by government despositors is different if the depository institution is located outside the State in which the public unit is located. In that case, all deposits owned by the public unit and held by the same official custodian are added together and insured up to \$100,000. Time and savings deposits are not insured separately from demand deposits.

The "official custodian" in the case of the Township of Lapeer is the Township of Lapeer.

To ensure better FDIC coverage of their monetary assets, the Township would need to divide its money between financial institutions.

Budgeting

Transfers In and Transfers Out must balance between the various funds used by the Township. During the current fiscal year the budgeted transfers between the Township's funds were not in agreement for neither the original nor the final amended budget. The final amended budgets showed the following:

<u>Fund</u>	<u>Operating Transfer In</u>	<u>Fund</u>	<u>Operating Transfer Out</u>
General Fund from		General Fund to	
Revolving Improvement	\$ 200,000	Revolving Improvement	\$ 50,000
Capital Improvement	10,000	Capital Improvement	20,000
Revolving Improvement from		Revolving Improvement to	
General Fund	50,000	General Fund	-
Capital Improvement from		Capital Improvement to	
General Fund	10,000	General Fund	8,000
Total	<u>\$ 270,000</u>	Total	<u>\$ 78,000</u>

The original budgets for the 2006-2007 fiscal year show the following budgeted transfers:

<u>Fund</u>	<u>Operating Transfer In</u>	<u>Fund</u>	<u>Operating Transfer Out</u>
General Fund from		General Fund to	
Revolving Improvement	\$ 180,000	Revolving Improvement	\$ 25,000
Cemetery Fund	150	Revolving Improvement to	
Liquor Law Enforcement	500	General Fund	183,000
Revolving Improvement from		Cemetery Trust Fund to	
General Fund	25,000	General Fund	100
		Disaster Contingency to	
		General Fund	2
Total	<u>\$ 205,650</u>	Total	<u>\$ 208,102</u>

The Township must be careful when budgeting to ensure that the budgets are not only balanced, but also that the transfers between the funds are in balance with each other.

We would like to thank the Board for the opportunity to serve as auditors for the Township of Lapeer. We would be happy to answer any questions you have regarding the annual financial report, and would be pleased to discuss the above comments and recommendations at your convenience.

Brown & Kent, P.C.

Certified Public Accountants

August 15, 2006